

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

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FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 1664

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E.O. 11652: N/A

TAGS: EFIN, SA, US

SUBJECT: ARTICLE ON SAUDI INVESTMENT IN U.S.

REF: STATE 134354

1. EMBASSY HAS SEEN QUITE A LOT OF PRESS COVERAGE OF STATEMENTS MADE BY FAROUK AKHDAR WHILE IN THE U.S. (AKHDAR IS HEAD OF THE TECHNICAL AFFAIRS OFFICE IN THE CPO.) REFTEL ALSO TRANSMITTED EXCERPTS FROM WASHINGTON POST ARTICLE OF JUNE 8.

2. ASIDE FROM WHAT APPEARS TO BE GENERAL MISINFORMATION, THE AKHDAR INTERVIEW CONTAINS SEVERAL STATEMENTS WHICH ARE CERTAINLY FALSE AND COULD BE MALICIOUS. STATEMENT THAT SAUDIS "ARE NOT GOING TO INVEST IN THE WESTERN WORLD AT ALL" CONTRADICTS OVERT AND PRIVATE POLICY OF SAUDI ARABIAN MONETARY AGENCY (SAMA). SAMA IS NOT ONLY CONTINUING TO INVEST IN CORPORATE BONDS, IT HAS BEEN EXPANDING ITS PORTFOLIOS IN CORPORATE EQUITY FOR SOME MONTHS. WE BELIEVE THE FOUR MAJOR BANKS HOLDING SAMA PORTFOLIOS HAVE AS MUCH AS \$500 MILLION PER BANK INVESTED IN BONDS AND STOCKS.

3. AHMED ABDULLATIF, CHIEF OF THE SAMA INTERNATIONAL
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AFFAIRS DIVISION IS EXTREMELY CONCERNED BY THESE STATE-

MENTS, AND FEARS THAT THEY MAY HAVE SOME REPERCUSSIONS ON CONGRESSIONAL ATTITUDES TOWARD OPEC INVESTMENT IN THE U.S. HE CHARACTERIZED AKHDAR AS A "BLABBER MOUTH" WHO SHOULD KNOW BETTER THAN TO TALK ABOUT MATTERS IN WHICH HE HAS NO EXPERTISE.

4. ABDULLATIF WAS EXTREMELY UPSET TO LEARN THAT AKHDAR HAD IMPLIED THAT SAMA MIGHT PULL OUT OF U.S. TREASURY BILLS. ABDULLATIF IS VERY WELL AWARE THAT LARGE SCALE HOLDINGS OF A PARTICULAR KIND OF DEBT CAN LIMIT THE LIQUIDITY OF THE DEBT INSTRUMENT, AND RIDICULED THE IDEA. HE WAS MORE CONCERNED, HOWEVER, AT THE POLITICAL IMPLICATIONS WHICH AKHDAR'S STATEMENTS MIGHT CAUSE.

5. ACCORDING TO ABDULLATIF, GOVERNOR QURAISHI OF SAMA HAS NOT YET TAKEN UP THE MATTER OF AKHDAR'S SPEECHES WITH THE CPO, BUT HE MAY VERY WELL SUGGEST THAT SOMETHING BE DONE TO MUZZLE SUCH "SPOKESMEN".
HORAN

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